only minor discrepancies. Furthermore, a letter of credit is essentially buyer-financed, from a date which is usually well prior to the date of release of goods.

The Office recognized that applicant's invention as claimed in amended claim 35 is meritorious in avoiding the buyer's having to commit funds or credit substantially prior to the transaction, by providing what is, in effect, a latent payment draft. The latent payment draft employed in applicant's claimed method becomes active and negotiable upon occurrence of the triggering event specified in the draft, which event, as claimed in claim 37, can be release or shipment of the goods or other product traded. The buyer is accordingly provided with valuable usage of his or her funds for a significant additional time interval as compared with a letter-of-credit, namely the time between commitment of the funds to a letter-of-credit, and the release of goods. In the exemplary case of a buyer in, say, New Jersey importing from a seller-exporter in say, Malaysia, this time interval may be as much as 60 to 90 days, plus production time, if any.

A letter-of-credit provides the seller with confidence of payment by the banking system, albeit after satisfying detailed bureaucratic requirements. The Examiner wanted to know how a seller implementing the method of the invention claimed in claim 35 can be confident of being paid.

This issue is addressed in the specification at page 34, lines 8-22. The claimed invention enables the buyer and seller to invoke one of a range of options to give the seller confidence he or she will be paid, and to moderate the seller's risk. In a simple embodiment, where there is an established relationship of trust between the buyer and

seller, the buyer's name and signature on the payment draft, may provide adequate confidence. Such confidence may be present, for example, if the buyer is a blue chip company or where the buyer and seller are affiliates of one another. Unlike open-receivable financing which might be employed in such a case, the claimed invention ensures the seller that they will not have to wait an indefinite period for their money: the payment draft, becomes a legally enforceable, negotiable instrument when activated by release of the goods, which can be collected at maturity.

In another, and preferred embodiment of the invention, a financial institution FI (Figure 5) or FI/SI (Figures 7-8) can be employed in a pre-arranged draft substitution process wherein a banker's acceptance "BA", is substituted for the underlying trade acceptance represented by the buyer-executed 1st of exchange. The 1st of exchange is a preferred embodiment of the payment draft set forth in claim 35. By suitable prior arrangement, the banker's acceptance may be pre-approved, creating an instrument backed by the issuing financial institution's credit and reputation. Depending upon the institution, this pre-approved banker's acceptance may have world-wide acceptance.

Such a draft -substitution process is claimed in claims 45 and 55-61 and is described in the specification at page 34, line 8 to page 37, line 5 and as the preliminary step of the process shown in Figures 7-8, which is described at page 40, line 29 to page 41, line 3.

To induce the acceptance-issuing financial institution to substitute its credit for that of the buyer, one of many forms of credit enhancement process may be employed, including but not limited to credit insurance, avals, guarantees, cash or other collateral.

While the draft substitution process may also be a buyer-financed process, the date of commitment of funds or credit resources by the buyer need be no earlier than the triggering event, for example the date of shipment or other release of goods, a significant advantage over a letter-of-credit which requires commitment of funds or credit well prior to shipment.

The claimed invention enables transaction processing to be simplified while still using the resources of the banking or finance industries to finance an import-export or comparable trade.

In a typical letter-of-credit process, the seller has an agreement from the buyer's bank, who is financially responsible for procedural errors, to pay if and only if the seller's invoice matches the bank's wording of the buyers purchase order. Even with computer generated files, matching letter for letter, space for space, mis-spelling for mis-spelling, as is required in the letter-of-credit process, is problematical when a document created by a buyer must be compared with another document created by a seller who may use a different language and different electronic tools.

The invention solves this problem by removing the bank official from the process of reconciling the transaction documents. For example, in a preferred embodiment, employing a sales agreement incorporated in a pro-forma invoice issued by the seller, the seller has an agreement from the buyer to pay the seller if the invoice issued by the seller matches the pro-forma invoice. Comparing the actual invoice to a pro-forma invoice issued by the same party probably using the same computer will usually be a straightforward task.

In view of the above amendments and the discussion relating thereto, it is respectfully submitted that the instant application, as amended, is in condition for allowance. Such action is most earnestly solicited. If for any reason the Examiner feels that consultation with Applicant's attorney would be helpful in the advancement of the prosecution, he is invited to call the telephone number below for an interview.

Respectfully submitted,

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I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail, postage prepaid, in an envelope addressed to: Assistant Commissioner for Patents, Washington, D.C. 20231, on September 24, 2001

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Version of Amended Claim(s) with Markings to Show Changes Made

35. (amended) A trade finance method for financing the sale of a traded product supplied by a seller to a buyer physically separated from the seller, the method comprising:

a) the buyer providing an event-activated, ~~prerelease~~ latent payment draft to the seller or the seller's agent prior to release of the traded product from the seller's control wherein the event-activated prerelease payment draft:
   i) is payable to the seller's order;
   ii) is drawn on the buyer and is executed by the buyer to indicate the buyer's acceptance of the payment draft; and
   iii) orders a payment, being payment for the traded product, to be made within a term commencing with a specified activating event ~~intended~~ indicated in the payment draft and selected by the buyer and the seller to occur ~~subsequently to~~ after execution of the payment draft by the buyer; and

b) the seller releasing the traded product for delivery to the buyer.